

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Logan-Magnolia Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Dennis Alvis	President	2009
Linda Hennessy	Vice President	2007
Kevin Mann	Board Member	2009
Dan Cohrs	Vice President	2008
Mike Branstetter	Board Member	2007

Board of Education (After September 2007 Election)		
Dennis Alvis	President	2009
Kevin Mann	Vice President	2009
Dan Cohrs	Board Member	2008
Mike Branstetter	Board Member	2010
Kelly Gochenour	Board Member	2010

School Officials		
James Hammrich	Superintendent	2008
Karen Jacobsen	District Secretary	2008
Mundt, Franck and Schumacher	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Logan-Magnolia Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Logan-Magnolia Community School District, Logan Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Logan-Magnolia Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2009 on our consideration of the Logan-Magnolia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Logan-Magnolia Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 3, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Logan-Magnolia Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,728,196 in fiscal 2007 to \$5,928,466 in fiscal 2008, while General Fund expenditures increased from \$5,660,362 in fiscal 2007 to \$5,944,261 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$597,453 in fiscal 2007 to a balance of \$581,658 in fiscal 2008.
- The increase in General Fund revenues was attributable to an increase in state source revenues in fiscal 2008. The increase in expenditures can be attributed to increases in negotiated salaries and benefits paid to District employees.
- The decrease in General Fund balance resulted in the District's solvency ratio to decrease from 9.23% in fiscal 2007 to 8.43% in fiscal 2008.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Logan-Magnolia Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Logan-Magnolia Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Logan-Magnolia Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Logan-Magnolia Community School District Annual Financial Report

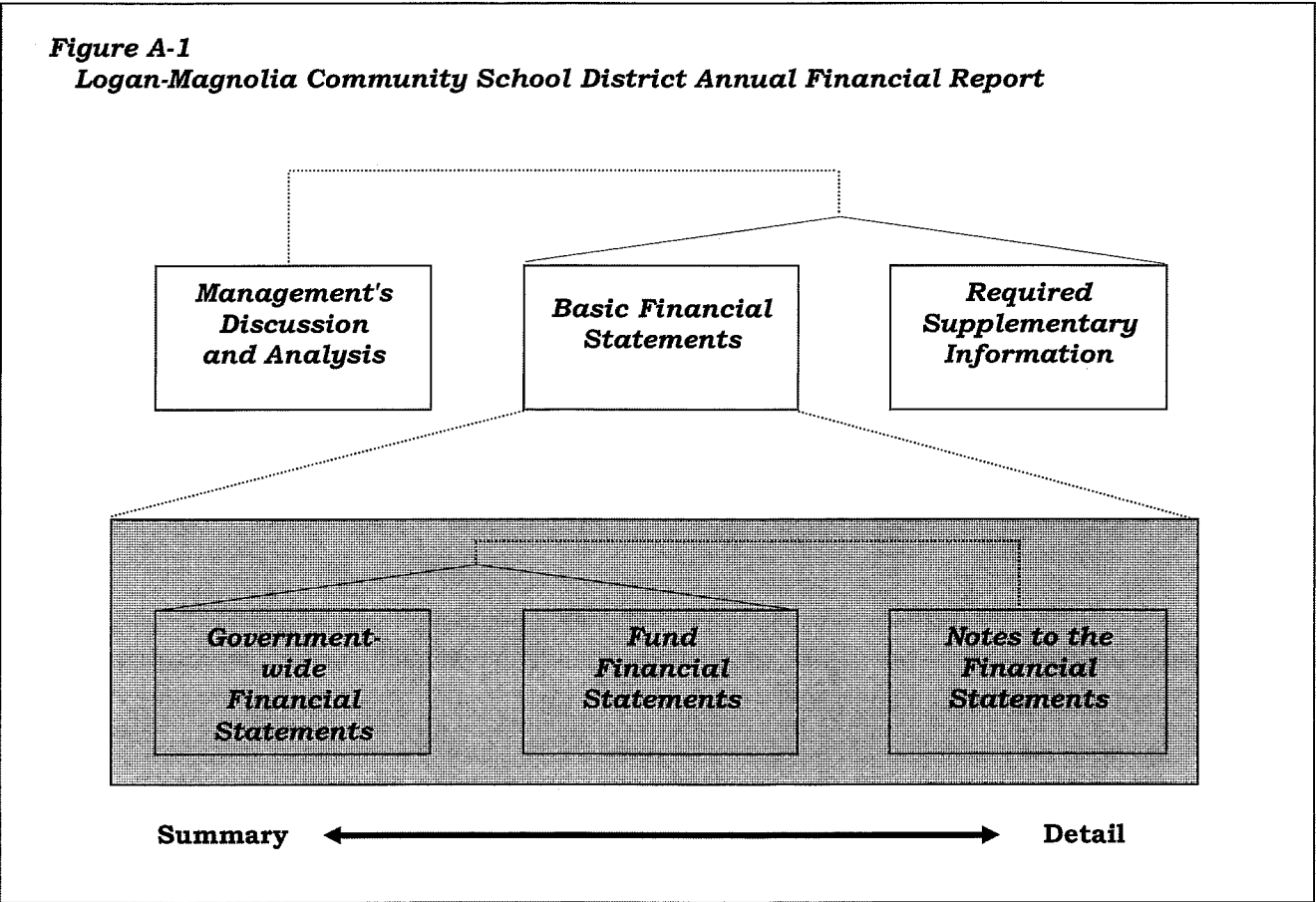


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to

measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Latch Key Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.

- Agency Fund - These are funds for which the District administers and accounts for a leadership academy on the behalf of participating Districts.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the Agency Fund include a statement of fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 4,429,383	3,770,163	27,736	30,762	4,457,119	3,800,925	17.26%
Capital assets	6,913,681	6,776,711	9,577	11,628	6,923,258	6,788,339	1.99%
Total assets	11,343,064	10,546,874	37,313	42,390	11,380,377	10,589,264	7.47%
Long-term obligations	3,074,697	3,280,596	0	0	3,074,697	3,280,596	-6.28%
Other liabilities	3,005,762	2,313,984	12,953	7,106	3,018,715	2,321,090	30.06%
Total liabilities	6,080,459	5,594,580	12,953	7,106	6,093,412	5,601,686	8.78%
Net assets:							
Invested in capital assets, net of related debt	3,898,681	3,526,711	9,577	11,628	3,908,258	3,538,339	10.45%
Restricted	752,763	778,924	0	0	752,763	778,924	-3.36%
Unrestricted	611,161	646,659	14,783	23,656	625,944	670,315	-6.62%
Total net assets	\$ 5,262,605	4,952,294	24,360	35,284	5,286,965	4,987,578	6.00%

The District's combined net assets increased by \$299,387, or 6.00% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$26,161, or 3.36% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$44,371, or 6.62%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 751,501	681,397	226,438	201,441	977,939	882,838	10.77%
Operating grants and contributions and restricted interest	746,391	736,757	120,725	133,451	867,116	870,208	-0.36%
General revenues:							
Local tax	1,906,412	1,868,539	0	0	1,906,412	1,868,539	2.03%
Local option sales and service tax	371,474	489,140	0	0	371,474	489,140	-24.06%
Unrestricted state grants	2,980,700	2,853,574	0	0	2,980,700	2,853,574	4.45%
Other	65,490	161,440	494	781	65,984	162,221	-59.32%
Total revenues	6,821,968	6,790,847	347,657	335,673	7,169,625	7,126,520	0.60%
Program expenses:							
Governmental activities:							
Instruction	4,073,835	4,019,223	0	0	4,073,835	4,019,223	1.36%
Support services	1,937,944	1,835,886	1,126	1,641	1,939,070	1,837,527	5.53%
Non-instructional programs	0	0	357,455	323,438	357,455	323,438	10.52%
Other expenses	499,878	509,305	0	0	499,878	509,305	-1.85%
Total expenses	6,511,657	6,364,414	358,581	325,079	6,870,238	6,689,493	2.70%
Change in net assets	310,311	426,433	(10,924)	10,594	299,387	437,027	-31.49%
Net assets beginning of year	4,952,294	4,525,861	35,284	24,690	4,987,578	4,550,551	9.60%
Net assets end of year	\$ 5,262,605	4,952,294	24,360	35,284	5,286,965	4,987,578	6.00%

In fiscal 2008 the local tax, local option sales and services tax and unrestricted state grants account for 77.08% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.86% of the revenue from business type activities.

The District's total revenues were approximately \$7.17 million of which \$6.82 million was for governmental activities and less than \$0.35 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a .60% increase in revenues and a 2.70% increase in expenses. Unrestricted state grants increased \$127,126 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$6,821,968 and expenses were \$6,511,657.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 4,073,835	4,019,223	1.36%	2,874,944	2,869,821	0.18%
Support services	1,937,944	1,835,886	5.56%	1,855,682	1,775,348	4.52%
Other expenses	499,878	509,305	-1.85%	283,139	301,091	-5.96%
Totals	<u>\$ 6,511,657</u>	<u>6,364,414</u>	<u>2.31%</u>	<u>5,013,765</u>	<u>4,946,260</u>	<u>1.36%</u>

- The cost financed by users of the District's programs was \$751,501.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$746,391.
- The net cost of governmental activities was financed with \$1,906,412 in local tax, \$371,474 in local option sales and service tax, \$2,980,700 in unrestricted state grants, \$45,732 in unrestricted investment earnings and \$19,758 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$347,657 and expenses were \$358,581. The District's business-type activities include the School Nutrition Fund and the Latch Key Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Logan-Magnolia Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,317,366, below last year's ending fund balances of \$1,350,492. The primary reason for the decrease was the decrease in the Capital Projects Fund balance.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Increases in local tax and state grants caused the increase in revenues. The increase in revenues was less than enough to offset the increase in expenditures thus ensuring the decrease in General Fund balance.
- The Capital Projects fund balance decreased from \$612,734 in fiscal 2007 to \$536,517 in fiscal 2008 primarily because of the decrease in local option sales and service tax collected by the District.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$23,683 at June 30, 2007 to \$11,237 at June 30, 2008, representing a decrease of 52.55%. Most of this decrease is attributable to the increased cost in food supplies.

The Latch Key Fund net assets increased from \$11,601 at June 30, 2007 to \$13,123 at June 30, 2008.

BUDGETARY HIGHLIGHTS

The District's revenues were \$958,305 less than budgeted revenues, a variance of 11.79%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$6.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.99% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$277,169.

The original cost of the District's capital assets was \$9,628,228. Governmental funds account for \$9,468,183 with the remainder of \$160,045 in the Proprietary, School Nutrition Fund.

The largest dollar change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$297,423 at June 30, 2007 as compared to \$479,142 at June 30, 2008. This increase is a result of the purchasing of new equipment made during the year. Major equipment purchases included a car, a van and three school buses.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 575,000	575,000	0	0	575,000	575,000	0.00%
Buildings	5,841,499	5,893,960	0	0	5,841,499	5,893,960	-0.89%
Land improvements	27,617	21,956	0	0	27,617	21,956	25.78%
Machinery and equipment	469,565	285,795	9,577	11,628	479,142	297,423	61.10%
Total	\$ 6,913,681	6,776,711	9,577	11,628	6,923,258	6,788,339	1.99%

Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$3,047,697 in general obligation bonds and early retirement. This represents a decrease of 6.28% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$3,015,000 at June 30, 2008.

At June 30, 2008, the District also had total outstanding early retirement payable of \$59,697 which will be paid from the Special Revenue, Management Levy Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 3,015,000	3,250,000	-7.23%
Early retirement	59,697	30,596	95.11%
Total	<u>\$ 3,074,697</u>	<u>3,280,596</u>	<u>-6.28%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- District enrollment appears to stay the same with only minor changes. This is a definite asset to the District.
- With all the new facilities and a bus fleet that is going to be updated within the next few years on a rotation basis, the District should be able to operate on a daily basis without a large amount of capital outlay.
- The District is striving to maintain a positive balance between revenues and expenditures to ensure the health of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karen Jacobsen, Business Manager/Board Secretary, Logan-Magnolia Community School District, 1200 North 2nd Avenue, Logan, Iowa, 51546.

BASIC FINANCIAL STATEMENTS

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 552,466	0	552,466
Other	1,476,678	17,881	1,494,559
Receivables:			
Property tax:			
Delinquent	26,843	0	26,843
Succeeding year	1,882,556	0	1,882,556
Income surtax	115,866	0	115,866
Accounts	37,400	2,750	40,150
Accrued ISCAP interest (Note 4)	209	0	209
Due from other governments	337,365	131	337,496
Inventories	0	6,974	6,974
Capital assets, net of accumulated depreciation (Note 5)	6,913,681	9,577	6,923,258
TOTAL ASSETS	11,343,064	37,313	11,380,377
LIABILITIES			
Accounts payable	31,300	581	31,881
Salaries and benefits payable	524,736	8,364	533,100
Interest payable	9,611	0	9,611
ISCAP warrants payable (Note 4)	548,000	0	548,000
ISCAP accrued interest payable (Note 4)	161	0	161
ISCAP premiums payable	9,398	0	9,398
Deferred revenue:			
Succeeding year property tax	1,882,556	0	1,882,556
Unearned revenue	0	4,008	4,008
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds	250,000	0	250,000
Early retirement	10,156	0	10,156
Portion due after one year:			
General obligation bonds	2,765,000	0	2,765,000
Early retirement	49,541	0	49,541
TOTAL LIABILITIES	6,080,459	12,953	6,093,412
NET ASSETS			
Invested in capital assets, net of related debt	3,898,681	9,577	3,908,258
Restricted for:			
Debt service	18,703	0	18,703
Talented and gifted	49,528	0	49,528
Market factor	1,000	0	1,000
Market factor incentives	4,649	0	4,649
Capital projects	536,517	0	536,517
Physical plant and equipment levy	58,051	0	58,051
Other special revenue purposes	84,315	0	84,315
Unrestricted	611,161	14,783	625,944
TOTAL NET ASSETS	\$ 5,262,605	24,360	5,286,965

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,516,961	326,713	468,481	(1,721,767)	0	(1,721,767)
Special instruction	875,774	112,313	46,831	(716,630)	0	(716,630)
Other instruction	681,100	230,404	14,149	(436,547)	0	(436,547)
	<u>4,073,835</u>	<u>669,430</u>	<u>529,461</u>	<u>(2,874,944)</u>	<u>0</u>	<u>(2,874,944)</u>
Support services:						
Student services	158,744	0	0	(158,744)	0	(158,744)
Instructional staff services	179,324	0	0	(179,324)	0	(179,324)
Administration services	577,814	0	0	(577,814)	0	(577,814)
Operation and maintenance of plant services	588,047	0	0	(588,047)	0	(588,047)
Transportation services	434,015	82,071	191	(351,753)	0	(351,753)
	<u>1,937,944</u>	<u>82,071</u>	<u>191</u>	<u>(1,855,682)</u>	<u>0</u>	<u>(1,855,682)</u>
Other expenditures:						
Long-term debt interest	120,769	0	0	(120,769)	0	(120,769)
AEA flowthrough	216,739	0	216,739	0	0	0
Depreciation(unallocated)*	162,370	0	0	(162,370)	0	(162,370)
	<u>499,878</u>	<u>0</u>	<u>216,739</u>	<u>(283,139)</u>	<u>0</u>	<u>(283,139)</u>
Total governmental activities	6,511,657	751,501	746,391	(5,013,765)	0	(5,013,765)
Business-type activities:						
Support services:						
Student services	12	0	0	0	(12)	(12)
Administration services	243	0	0	0	(243)	(243)
Transportation services	871	0	0	0	(871)	(871)
Non-instructional programs:						
Nutrition services	314,359	181,039	120,725	0	(12,595)	(12,595)
Latch key services	43,096	45,399	0	0	2,303	2,303
Total business-type activities	<u>358,581</u>	<u>226,438</u>	<u>120,725</u>	<u>0</u>	<u>(11,418)</u>	<u>(11,418)</u>
Total	<u>\$ 6,870,238</u>	<u>977,939</u>	<u>867,116</u>	<u>(5,013,765)</u>	<u>(11,418)</u>	<u>(5,025,183)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 1,715,601	0	1,715,601
Debt service				156,422	0	156,422
Capital outlay				34,389	0	34,389
Local option sales and services				371,474	0	371,474
Unrestricted state grants				2,980,700	0	2,980,700
Unrestricted investment earnings				45,732	494	46,226
Other				19,758	0	19,758
Total general revenues				<u>5,324,076</u>	<u>494</u>	<u>5,324,570</u>
Changes in net assets				310,311	(10,924)	299,387
Net assets beginning of year				4,952,294	35,284	4,987,578
Net assets end of year				<u>\$ 5,262,605</u>	<u>24,360</u>	<u>5,286,965</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.
SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 552,466	0	0	552,466
Other	932,377	344,427	199,874	1,476,678
Receivables:				
Property tax				
Delinquent	22,435	0	4,408	26,843
Succeeding year	1,527,043	0	355,513	1,882,556
Income surtax	115,866	0	0	115,866
Accounts	37,400	0	0	37,400
Accrued ISCAP interest(Note 4)	209	0	0	209
Due from other governments	135,327	202,038	0	337,365
TOTAL ASSETS	\$ 3,323,123	546,465	559,795	4,429,383
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 16,261	9,948	5,091	31,300
Salaries and benefits payable	524,736	0	0	524,736
ISCAP warrants payable(Note 4)	548,000	0	0	548,000
ISCAP accrued interest payable(Note 4)	161	0	0	161
ISCAP unamortized premiums payable	9,398	0	0	9,398
Deferred revenue:				
Succeeding year property tax	1,527,043	0	355,513	1,882,556
Income surtax	115,866	0	0	115,866
Total liabilities	2,741,465	9,948	360,604	3,112,017
Fund balances:				
Reserved for:				
Debt service	0	0	18,703	18,703
Talented and gifted	49,528	0	0	49,528
Market factor	1,000	0	0	1,000
Market factor incentives	4,649	0	0	4,649
Unreserved:				
Designated for special purposes	26,685	0	0	26,685
Undesignated	499,796	536,517	180,488	1,216,801
Total fund balances	581,658	536,517	199,191	1,317,366
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,323,123	546,465	559,795	4,429,383

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 1,317,366
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	6,913,681
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(9,611)
Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(3,074,697)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	<u>115,866</u>
Net assets of governmental activites (page 13)	<u><u>\$ 5,262,605</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,615,550	371,474	290,862	2,277,886
Tuition	407,990	0	0	407,990
Other	158,091	18,330	257,732	434,153
State sources	3,556,861	0	0	3,556,861
Federal sources	145,078	0	0	145,078
Total revenues	5,883,570	389,804	548,594	6,821,968
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,435,037	0	53,773	2,488,810
Special instruction	873,884	0	0	873,884
Other instruction	477,209	0	222,431	699,640
	3,786,130	0	276,204	4,062,334
Support services:				
Student services	158,744	0	0	158,744
Instructional staff services	179,324	0	0	179,324
Administration services	571,907	0	0	571,907
Operation and maintenance of plant services	552,309	0	33,326	585,635
Transportation services	471,802	157,660	13,886	643,348
	1,934,086	157,660	47,212	2,138,958
Other expenditures:				
Facilities acquisitions	0	108,361	17,261	125,622
Long-term debt:				
Principal	0	0	235,000	235,000
Interest and fiscal charges	0	0	121,337	121,337
AEA flowthrough	216,739	0	0	216,739
	216,739	108,361	373,598	698,698
Total expenditures	5,936,955	266,021	697,014	6,899,990
Excess(deficiency) of revenues over(under) expenditures	(53,385)	123,783	(148,420)	(78,022)
Other financing sources(uses):				
Transfers in	0	0	207,306	207,306
Transfers out	(7,306)	(200,000)	0	(207,306)
Proceeds from the disposal of property	44,896	0	0	44,896
Total other financing sources(uses)	37,590	(200,000)	207,306	44,896
Net change in fund balances	(15,795)	(76,217)	58,886	(33,126)
Fund balance beginning of year	597,453	612,734	140,305	1,350,492
Fund balance end of year	\$ 581,658	536,517	199,191	1,317,366

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ (33,126)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures, depreciation expense and loss on disposal of capital assets in the current year are as follows:

Capital expenditures	\$ 443,994	
Depreciation expense	(275,118)	
Loss on disposal of capital assets	<u>(31,906)</u>	136,970

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	235,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	568
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	<u>(29,101)</u>
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Changes in net assets of governmental activities (page 14)	<u><u>\$ 310,311</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	School Nutrition	Latch Key	Total
ASSETS			
Cash and cash equivalents	\$ 3,634	14,247	17,881
Accounts receivable	31	2,719	2,750
Due from other governments	131	0	131
Inventories	6,974	0	6,974
Capital assets, net of accumulated depreciation(Note 5)	9,577	0	9,577
TOTAL ASSETS	20,347	16,966	37,313
LIABILITIES			
Accounts payable	0	581	581
Salaries and benefits payable	5,102	3,262	8,364
Unearned revenue	4,008	0	4,008
TOTAL LIABILITES	9,110	3,843	12,953
NET ASSETS			
Invested in capital assets	9,577	0	9,577
Unrestricted	1,660	13,123	14,783
TOTAL NET ASSETS	\$ 11,237	13,123	24,360

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition	Latch Key	Total
OPERATING REVENUE:			
Charges for service	\$ 181,039	45,399	226,438
TOTAL OPERATING REVENUES	181,039	45,399	226,438
OPERATING EXPENSES:			
Support services:			
Student services:			
Benefits	0	12	12
Administration services:			
Services	0	243	243
Transportation services:			
Salaries	0	766	766
Benefits	0	105	105
	0	871	871
Total support services	0	1,126	1,126
Non-instructional programs:			
Food service operations:			
Salaries	137,333	0	137,333
Benefits	25,427	0	25,427
Services	7,201	0	7,201
Supplies	142,071	0	142,071
Depreciation	2,051	0	2,051
Other	276	0	276
	314,359	0	314,359
Other enterprise operations:			
Salaries	0	32,080	32,080
Benefits	0	3,695	3,695
Supplies	0	7,321	7,321
	0	43,096	43,096
Total non-instructional programs	314,359	43,096	357,455
TOTAL OPERATING EXPENSES	314,359	44,222	358,581
OPERATING INCOME (LOSS)	(133,320)	1,177	(132,143)
NON-OPERATING REVENUES:			
Interest	149	345	494
State sources	4,222	0	4,222
Federal sources	116,503	0	116,503
TOTAL NON-OPERATING REVENUES	120,874	345	121,219
Change in net assets	(12,446)	1,522	(10,924)
Net assets at beginning of year	23,683	11,601	35,284
Net assets end of year	\$ 11,237	13,123	24,360

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition	Latch Key	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 181,617	0	181,617
Cash received from miscellaneous operating activities	427	48,947	49,374
Cash payments to employees for services	(157,658)	(36,718)	(194,376)
Cash payments to suppliers for goods or services	(132,527)	(7,445)	(139,972)
Net cash provided by(used in) operating activities	(108,141)	4,784	(103,357)
Cash flows from non-capital financing activities:			
State grants received	4,222	0	4,222
Federal grants received	97,839	0	97,839
Net cash provided by non-capital financing activities	102,061	0	102,061
Cash flows from investing activities:			
Interest on investments	149	345	494
Net cash provided by investing activities	149	345	494
Net increase(decrease) in cash and cash equivalents	(5,931)	5,129	(802)
Cash and cash equivalents at beginning of year	9,565	9,118	18,683
Cash and cash equivalents at end of year	\$ 3,634	14,247	17,881
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (133,320)	1,177	(132,143)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	18,533	0	18,533
Depreciation	2,051	0	2,051
Increase in inventories	(1,162)	0	(1,162)
(Increase)Decrease in accounts receivables	(31)	3,548	3,517
Increase(Decrease) in accounts payable	(350)	119	(231)
Increase(Decrease) in salaries and benefits payable	5,102	(60)	5,042
Increase in unearned revenues	1,036	0	1,036
Net cash provided by(used in) operating activities	\$ (108,141)	4,784	(103,357)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 3,634	14,247	17,881

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received
Federal commodities valued at \$18,533.

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 849
TOTAL ASSETS	<u>\$ 849</u>
LIABILITIES	
Due to other groups	\$ 849
TOTAL LIABILITIES	<u>\$ 849</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Logan-Magnolia Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Logan and Magnolia, Iowa, and the predominate agricultural territory in Harrison County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Logan-Magnolia Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Logan-Magnolia Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition of capital facilities.

The District's proprietary funds include the School Nutrition Fund and Latch Key. The School Nutrition Fund is used to account for the food service operations of the District. Latch Key is used to account for child care services for the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used

to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designated Fund Balances - In the governmental fund financial statements, designated funds are not available for appropriation but are set aside for a specific purpose. The designated fund balances are of accelerated reading, leadership academy and a reserve for medicaid administration.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 1,267,087

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 200,000
Special Revenue, Management Levy	General	7,306
Total		\$ 207,306

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/08	6/25/09	\$ 552,466	209	548,000	161

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity was noted in the General Fund for the year ended June 30, 2008.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 575,000	0	0	575,000
Total capital assets not being depreciated	575,000	0	0	575,000
Capital assets being depreciated:				
Buildings	7,536,592	108,104	0	7,644,696
Land improvements	23,901	7,466	0	31,367
Machinery and equipment	972,534	328,424	83,838	1,217,120
Total capital assets being depreciated	8,533,027	443,994	83,838	8,893,183
Less accumulated depreciation for:				
Buildings	1,642,632	160,565	0	1,803,197
Land improvements	1,945	1,805	0	3,750
Machinery and equipment	686,739	112,748	51,932	747,555
Total accumulated depreciation	2,331,316	275,118	51,932	2,554,502
Total capital assets being depreciated, net	6,201,711	168,876	31,906	6,338,681
Governmental activities capital assets, net	\$ 6,776,711	168,876	31,906	6,913,681

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 160,045	0	0	160,045
Less accumulated depreciation	148,417	2,051	0	150,468
Business-type activities capital assets, net	<u>\$ 11,628</u>	<u>(2,051)</u>	<u>0</u>	<u>9,577</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 11,918
Special	1,890
Other	11,838

Support services:

Administrative services	5,907
Operation and maintenance of plant services	3,750
Transportation	77,445
	<u>112,748</u>

Unallocated depreciation	<u>162,370</u>
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Total governmental activities depreciation expense	<u>\$ 275,118</u>
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Business-type activities:

Food services	<u>\$ 2,051</u>
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(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,250,000	0	235,000	3,015,000	250,000
Early retirement	30,596	33,668	4,567	59,697	10,156
Total	<u>\$ 3,280,596</u>	<u>33,668</u>	<u>239,567</u>	<u>3,074,697</u>	<u>260,156</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond issue November 1, 2002			Bond issue August 1, 2003			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2009	3.00-3.05	% \$ 250,000	58,270	-	% \$ -	55,258	\$ 250,000	113,528	363,528
2010	3.05-3.25	255,000	50,599	-	-	55,257	255,000	105,856	360,856
2011	3.25-3.35	270,000	42,274	-	-	55,258	270,000	97,532	367,532
2012	3.35-3.45	280,000	33,297	-	-	55,257	280,000	88,554	368,554
2013	3.45-3.55	285,000	23,616	-	-	55,258	285,000	78,874	363,874
2014-2018	3.55-3.70	440,000	16,075	4.00-4.25	415,000	260,147	855,000	276,222	1,131,222
2019-2023	-	-	-	4.40-5.00	820,000	120,280	820,000	120,280	940,280
Total		<u>\$ 1,780,000</u>	<u>224,131</u>		<u>\$ 1,235,000</u>	<u>656,715</u>	<u>\$ 3,015,000</u>	<u>880,846</u>	<u>3,895,846</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement benefits paid during the year ended June 30, 2008, totaled \$4,567.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$218,875, \$196,012 and \$183,798, respectively, equal to the required contributions for each year.

(8) Risk Management

Logan-Magnolia Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The

District's actual amount for this purpose totaled \$216,739 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 3,120,029	226,932	3,346,961	3,551,564	3,551,564	(204,603)
State sources	3,556,861	4,222	3,561,083	4,196,366	4,196,366	(635,283)
Federal sources	145,078	116,503	261,581	380,000	380,000	(118,419)
Total revenues	6,821,968	347,657	7,169,625	8,127,930	8,127,930	(958,305)
Expenditures:						
Instruction	4,062,334	0	4,062,334	4,977,583	4,977,583	915,249
Support services	2,138,958	1,126	2,140,084	2,726,169	2,726,169	586,085
Non-instructional programs	0	357,455	357,455	512,190	512,190	154,735
Other expenditures	698,698	0	698,698	767,417	767,417	68,719
Total expenditures	6,899,990	358,581	7,258,571	8,983,359	8,983,359	1,724,788
Deficiency of revenues under expenditures	(78,022)	(10,924)	(88,946)	(855,429)	(855,429)	766,483
Other financing sources, net	44,896	0	44,896	2,000	2,000	42,896
Deficiency of revenues and other financing sources under expenditures	(33,126)	(10,924)	(44,050)	(853,429)	(853,429)	809,379
Balance beginning of year	1,350,492	35,284	1,385,776	853,429	853,429	532,347
Balance end of year	\$ 1,317,366	24,360	1,341,726	0	0	1,341,726

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 36,606	89,406	57,530	183,542	16,332	199,874
Receivables:						
Property tax:						
Current year delinquent	1,516	0	521	2,037	2,371	4,408
Succeeding year	130,000	0	36,185	166,185	189,328	355,513
TOTAL ASSETS	\$ 168,122	89,406	94,236	351,764	208,031	559,795
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	5,091	0	5,091	0	5,091
Deferred revenue:						
Succeeding year property tax	130,000	0	36,185	166,185	189,328	355,513
Total liabilities	130,000	5,091	36,185	171,276	189,328	360,604
Fund balances:						
Reserved for debt service	0	0	0	0	18,703	18,703
Unreserved fund balances	38,122	84,315	58,051	180,488	0	180,488
Total fund balances	38,122	84,315	58,051	180,488	18,703	199,191
TOTAL LIABILITIES AND FUND BALANCES	\$ 168,122	89,406	94,236	351,764	208,031	559,795

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 100,051	0	34,389	134,440	156,422	290,862
Other	13,297	239,913	1,012	254,222	3,510	257,732
TOTAL REVENUES	113,348	239,913	35,401	388,662	159,932	548,594
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	53,773	0	0	53,773	0	53,773
Other instruction	0	222,431	0	222,431	0	222,431
Support services:						
Operation and maintenance of plant services	33,326	0	0	33,326	0	33,326
Transportation services	13,886	0	0	13,886	0	13,886
Other expenditures:						
Facilities acquisition	0	0	17,261	17,261	0	17,261
Long-term debt:						
Principal	0	0	0	0	235,000	235,000
Interest and fiscal charges	0	0	0	0	121,337	121,337
TOTAL EXPENDITURES	100,985	222,431	17,261	340,677	356,337	697,014
Excess(deficiency) of revenues over(under) expenditures	12,363	17,482	18,140	47,985	(196,405)	(148,420)
Other financing sources:						
Transfer in	7,306	0	0	7,306	200,000	207,306
Total other financing sources	7,306	0	0	7,306	200,000	207,306
Excess(deficiency) of revenues and other financing sources over(under) expenditures	19,669	17,482	18,140	55,291	3,595	58,886
Fund balance beginning of year	18,453	66,833	39,911	125,197	15,108	140,305
Fund balance end of year	\$ 38,122	84,315	58,051	180,488	18,703	199,191

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ (56)	5,335	7,009	(1,730)
Cross country	(265)	0	0	(265)
All sports fundraiser	0	51,004	51,004	0
Drill team	1,509	1,994	3,132	371
Football cheerleading	587	474	0	1,061
Basketball cheerleading	0	1,287	0	1,287
Wrestling cheerleading	25	1,278	2,321	(1,018)
Basketball fundraiser	1,579	7,210	7,590	1,199
All sports activity pass	10,953	2,934	8,976	4,911
District football	0	1,400	0	1,400
Flag football	2,612	6,369	3,305	5,676
Baseball fundraiser	2,800	13,115	12,402	3,513
Girls track fundraiser	500	1,535	884	1,151
Wrestling fundraiser	1,484	3,044	3,210	1,318
Girls basketball fundraiser	(608)	926	2,209	(1,891)
Elementary basketball	285	0	0	285
Volleyball fundraiser	3,156	2,255	1,723	3,688
Softball fundraiser	684	6,920	5,453	2,151
Concessions	13,288	32,609	40,914	4,983
Petty cash	225	0	0	225
Interest	162	1,297	0	1,459
Art club	225	1,926	1,926	225
Chess club fundraiser	44	575	472	147
Annual	10,879	7,860	6,106	12,633
Swing choir	510	911	1,408	13
Band uniform fundraiser	152	0	57	95
Band fundraiser	4,928	14,119	12,289	6,758
Vocal music fundraiser	4,776	11,040	13,180	2,636
Instrumental music	419	0	0	419
Flag corp fundraiser	387	0	0	387
AMOL	813	95	221	687
Science club	47	1,932	2,049	(70)
Spanish club	244	28	31	241
Spanish class fundraiser	806	0	0	806
Student council	208	1,986	1,863	331
Community bank grant	1	928	929	0
Business professionals	0	2,580	1,672	908
Key club	391	85	0	476
JH key club	80	0	0	80
S.A.D.D.	586	0	0	586
Elementary pool	0	7,256	1,879	5,377
FCCLA	(3,658)	13,358	7,492	2,208
HS class of 2008	1,132	0	1,121	11
HS class of 2009	199	17,445	16,048	1,596
HS class of 2010	1,994	300	0	2,294
HS class of 2011	289	0	0	289
HS class of 2012	2,461	803	756	2,508
Washington D.C. trip	0	15,700	2,800	12,900
Total	\$ 66,833	239,913	222,431	84,315

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>LEADERSHIP ACADEMY</u>				
ASSETS				
Cash and pooled investments	\$ 529	4,200	3,880	849
Due from other groups	4,200	0	4,200	0
	<u>\$ 4,729</u>	<u>4,200</u>	<u>8,080</u>	<u>849</u>
LIABILITIES				
Accounts payable	\$ 30	0	30	0
Due to other groups	4,699	4,200	8,050	849
	<u>\$ 4,729</u>	<u>4,200</u>	<u>8,080</u>	<u>849</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:								
Local sources:								
Local tax	\$ 2,277,886	2,350,551	2,016,915	2,133,357	1,794,768	1,647,583	1,534,509	1,433,146
Tuition	407,990	352,693	331,392	398,134	354,575	343,835	376,962	440,908
Other	434,153	522,178	414,214	277,540	318,645	281,241	295,308	244,651
State sources	3,556,861	3,397,183	3,137,954	2,890,215	2,666,137	2,662,263	2,492,814	2,615,687
Federal sources	145,078	161,114	164,370	542,710	888,708	132,939	176,244	97,280
Total	\$ 6,821,968	6,783,719	6,064,845	6,241,956	6,022,833	5,067,861	4,875,837	4,831,672
Expenditures:								
Instruction:								
Regular instruction	\$ 2,488,810	2,465,935	2,457,997	2,292,100	2,013,911	1,918,918	2,019,230	1,829,226
Special instruction	873,884	774,728	739,041	762,837	677,270	621,235	709,408	583,767
Other instruction	699,640	738,028	473,612	325,700	493,618	541,453	472,933	474,116
Support services:								
Student services	158,744	161,302	147,020	163,577	156,440	133,670	116,919	108,459
Instructional staff services	179,324	204,441	148,876	170,882	122,858	116,621	121,707	142,868
Administration services	571,907	579,851	567,910	517,787	521,660	488,533	449,768	413,133
Operation and maintenance of plant services	585,635	558,481	489,007	477,634	467,182	410,085	458,524	454,183
Transportation services	643,348	342,413	434,423	266,783	221,415	193,060	198,297	264,164
Other	0	0	0	16,496	0	14,448	3,411	17,595
Non-instructional programs	0	0	0	0	170	162	108	659
Other expenditures:								
Facilities acquisitions	125,622	30,794	134,985	841,624	1,201,073	13,419	52,425	78,018
Long Term Debt:								
Principal	235,000	240,000	240,000	220,000	215,000	170,000	145,000	135,000
Interest	121,337	127,808	133,627	138,660	133,748	137,365	173,550	181,525
AEA flow-through	216,739	208,214	191,247	182,563	177,364	187,784	181,887	191,426
Total	\$ 6,899,990	6,431,995	6,157,745	6,376,643	6,401,709	4,946,753	5,103,167	4,874,139

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Logan-Magnolia Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Logan-Magnolia Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 3, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Logan-Magnolia Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Logan-Magnolia Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Logan-Magnolia Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Logan-Magnolia Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Logan-Magnolia Community School District's financial statements that is more than inconsequential will not be prevented or detected by Logan-Magnolia Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Logan-Magnolia Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all

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significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Logan-Magnolia Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Logan-Magnolia Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Logan-Magnolia Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Logan-Magnolia Community School District and other parties to whom Logan-Magnolia Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Logan-Magnolia Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 3, 2009

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-08 Gate Admissions - Pre-numbered tickets are not being used for all performances and athletic events held on District grounds.

Recommendation - The District should adopt a Board policy addressing internal control procedures for handling cash for all performances and athletic events. The policy, at a minimum, should include the following:

- a. Change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in ticket sales/cash collecting process. The individuals responsible for ticket sales/cash collecting during the event should be instructed not to leave the change box unattended under any circumstances.
- d. Upon completion of the event, cash should be reconciled by two or more individuals to the number of pre-numbered tickets sold during the event and the amount of beginning cash in the change box.
- e. To reconcile, the next unsold ticket minus the beginning ticket number determines the actual number of tickets sold. The number of tickets sold times the price per ticket equals total sales. Total sales compared to total collections should reconcile. Variances, if any, should be small
- f. A reconciliation sheet should be completed and signed off on by all individuals responsible for counting and reconciling cash.
- g. The change box should be turned into the Activity Director or designee responsible for the accounting function at the event.

- h. The Activity Director or designee should be required to either take to the night deposit at the bank or lock the event proceeds in the District's vault until a deposit can be made the following business day.
- i. A pre-numbered receipt should be written by an individual in the Business Office the next day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically test or review the gate admissions process to ensure that the adopted procedures are being followed properly.
- k. Segregation of duties should be maintained as much as possible throughout the gate admissions process.

Response - The District will structure a Board Policy that will cover the issues addressed. Presently, we do the procedures recommended except the pre-numbered tickets. We will continue to look at a procedure to include pre-numbered tickets at all events.

Conclusion - Response accepted.

- I-C-08 Receipting Procedures - We noted that sponsors of student organizations were collecting from individuals, fundraising events and other revenue fees. The sponsor or designated individual collections, which subsequently are turned into the office for receipting, depositing and posting, do not appear to always count the money prior to turning over funds to the office and do not always include documentation for later reconciliation uses. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The district actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should have counted the money and provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - We are going to require that all money will be receipted in the central office. Money will not be collected by the sponsors.

Conclusion - Response accepted.

- I-D-08 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchase process; however, many of the purchase orders are actually completed after the product has been ordered and at times may be completed after the receipt of the products. In addition, we noted purchase orders had handwritten numbers and were not prenumbered.

Recommendation - The advantage of using a purchase order system is that the approval of items being purchased is noted prior to ordering. When purchase orders are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding obligation. When monitoring the actual expenses it can be a helpful tool in knowing the outstanding orders which will be subsequently paid. This allows the person who approves the purchase order a greater insight of knowing if funds are available prior to making the purchase.

The District's current purchase order system should be reviewed and the necessary changes made so that all disbursements are approved by the appropriated administrator before the purchase of supplies takes place. The purchase order should be included with the invoice as support for approval of the purchase. The purchase orders should be prenumbered in order to maintain a system of control for outstanding purchases.

Response - We will look into implementing additional procedures for approval of purchases prior to ordering.

Conclusion - Response accepted.

I-E-08 Reconciliation of Advertisements - We noted during our audit that the District sells yearbook advertisements. However, there is not a reconciliation of sponsor payments to the actual published advertisements in the yearbook.

Recommendation - The District should implement procedures to reconcile sponsor payments to advertisements for the yearbook prior to publishing the yearbook. In addition, the yearbook advisor should turn the reconciliation into the central office for review and verification by central office staff. The reconciliation should be available at the time of audit.

Response - Advertisements sold will be reconciled to published ads in the yearbook.

Conclusion - Response accepted.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

- II-G-08 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2008 was overstated. The District's certified enrollment count on line 1 was overstated by .9 students. This resulted in overstating the total actual enrollment on line 7 by .9 students. In addition, line 12 was overstated by .07 for an ICN host Marketing class that did not occur.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-08 Financial Condition - The Student Activity Fund contained five negative account balances totaling \$4,974.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - We have discussed the issue of negative account balances with the sponsors and the importance of keeping positive balances. We are currently working on making account balances positive for the end of the fiscal 2009 year.

Conclusion - Response accepted.

II-K-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation of the Student Activity Fund which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - We will review outstanding checks and appropriately clear any amounts outstanding.

Conclusion - Response accepted.

II-L-08 Officials Contracts - We noted during our audit that the Board President was not signing athletic officials contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Response - We will have the Board President sign all contracts.

Conclusion - Response accepted.